

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF VERMONT**

IN RE:

LI-LO PROPERTIES, LLC
Debtor-in-Possession.

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Chapter 11 Case
Case No. 10-11303

DEBTOR’S MOTION FOR TURNOVER OF PROPERTY OF THE ESTATE

NOW COMES, Li-Lo Properties, LLC (the “Debtor”), by and through its attorneys, Kenlan, Schwiebert, Facey & Goss, P.C., and hereby moves under 11 U.S.C. §§105 and 542 for an order directing turnover of property of the estate from Fannie Mae, as well as payment of accrued interest and penalties. Specifically, the Debtor seeks turnover of the escrowed funds held by Fannie Mae to be paid over to the City of Montpelier for real estate taxes and reserves in the amount of \$8,261.63 as requested prior to the Commencement Date. In support of this Motion, the Debtor states as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction to consider this motion pursuant to 28 U.S.C. §§157 and 1334. This is a core proceeding under 28 U.S.C §157(b).
2. Venue of these cases and this motion in this district is proper under 28 U.S.C. §§1408 and 1409.

BACKGROUND

3. On October 8, 2010 (the “Commencement Date”) the Debtor voluntarily commenced this Chapter 11 proceeding under the United States Bankruptcy Code. The factual background regarding the Debtors and the events leading to the filing of these chapter 11 cases are set forth in detail in the Vt. LBR 1007 Affidavit as filed with the Court.

4. The Debtor continues to operate and maintain their property as Debtor in possession in accordance with Bankruptcy Code §§ 1107 and 1108.

5. Real estate taxes were due on the Debtor's income producing properties as of November 15, 2010. Counsel for Fannie Mae specifically requested that the Debtor pay any shortfall that existed in the Fannie Mae's escrow account for the payment of real estate taxes in order to avoid any penalties or interest. *See* Email correspondence attached as Exhibit A attached hereto and incorporated by reference as if set forth in full herein. The Debtor paid the real estate tax shortfall directly to the City of Montpelier and as of the date of this Motion, Fannie Mae has not paid the balance of the real estate taxes owed. Penalties and interest continue to accrue. *See* print out from the City of Montpelier attached hereto as Exhibit B and incorporated by reference as if set forth in full herein.

6. Further, the Debtor submitted a reimbursement request from the reserve account prior to filing for bankruptcy protection. *See* Exhibit C attached hereto and incorporated by reference as if set forth in full herein. The reserve request was specifically listed as an asset in the Debtor's Schedule B.

RELIEF REQUESTED

1. Contemporaneously with the filing of this Motion, the Debtor is submitting a Motion for Reconsideration of the terms under which the Court granted Fannie Mae's Motion for Adequate Protection and Permitting Debtor's Limited Use of Cash Collateral. The Debtor is unable to make the monthly payment to Fannie Mae under the terms ordered while Fannie Mae continues to hold the Debtor's funds in a reserve account, despite a pending request for reimbursement. Those funds could be used to pay Fannie Mae's adequate protection payments. Further, the Debtors paid real estate taxes directly to the City of Montpelier at the request of

Fannie Mae, see Exhibit A, and despite the implied representation that Fannie Mae would be paying the amounts held in escrow toward the real estate taxes due, upon which the Debtor relied, Fannie Mae has failed to pay real estate taxes due November 15, 2010.

WHEREFORE, the Debtor respectfully requests in accordance with §542 an order directing Fannie Mae to pay the escrow funds on account directly to the City of Montpelier, including any penalties or interest that have accrued and for turnover directly to the Debtor the funds in reserve which have been rightfully requested by the Debtor and for such other and further relief as it deems just and proper.

Dated at Rutland, Vermont, this 10th day of December, 2010.

By: /s/ Heather Z. Cooper
Heather Z. Cooper, Esquire
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